

## Relation between Economic Innovation Models and Financial Innovation

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### ABSTRACT

The goal of this article is analyzing the **Relation between Economic Innovation Models and Financial Innovation** in recent years. Method: They include Qualitative research method: synthesis and inductive methods. Chu (2021) pointed that the cash-in-advance constraints on consumption and R&D investment have drastically different implications on the macroeconomic effects of inflation. We also expand SWOT model by adding Value part analysis on it. Results: Authors stated opportunities **for values adding including but not limit to:** Covid-19 bring opportunities for smart solutions for social issues in smart cities, and the agricultural sector is a bright spot and continues to be a solid pillar of the economy in difficult times.

**Keywords:** SWOT; Factors; R&D; Economic innovation; Technological change.

### 1. Introduction

Industry mentioned here, according to C. Marx's broad concept, includes construction and transportation, in which transportation is a continuation of production taking place in the field of circulation, adding value to the value of goods. Similarly, agriculture includes cultivation, animal husbandry, forestry, fishery, etc.

Ho Chi Minh's ideology on the two legs of the national economy requires combining industry with agriculture in a reasonable structure until our country basically transforms into a modern industrial country, in which agriculture is also operated in an industrial manner. The industrial-agricultural relationship according to Ho Chi Minh's ideology is also the economic basis of the urban-rural relationship, of the alliance between the working class and the peasantry and the intelligentsia (source: [tulieuvankien.dangcngsan.vn](http://tulieuvankien.dangcngsan.vn)).

### 2. Previous studies

Large Western corporations frequently collaborate with their subsidiaries in developing countries to develop products that meet local needs (Immelt et al., 2009), allowing them to combine advanced knowledge with local know-how to create appropriate solutions.

Moreover we look at below table:

Authors	Year	Contents, results
Sekhar	2013	Creating a new financial product or adding new features to existing financial product is the central theme of financial engineering. Hence, the innovative products should try to reduce financial risk and it should aim to reach “financial optimization”. Innovation is mainly driven by modern Globalization and investors and government resulting in exposing to new and wider international risk, innovation becomes a new

		tool to solve, manage and transfer the entire extra burden. The deregulation of banking systems, in particular, promotes economic growth through improved allocation, efficiency and a reduction of financial service costs.
Merton	1992	Future perspective of financial innovation and he explained functional perspective of financial intermediation. His studies are about financial innovations, lower cost of capital, reduce financial risks, improve financial intermediation, and hence welfare enhancing.
Tufano	2003	Provides the standard explanation for financial innovation is that it helps correct some kind of market inefficiency or imperfection.
Chu	2021	Found that the cash-in-advance constraints on consumption and R&D investment have drastically different implications on the macroeconomic effects of inflation.

(Source: Author Synthesis)

Hence authors choose this topic:

### **Relation between Economic Innovation Models and Financial Innovation.**

#### **3. Methodology**

##### **3.1. Methodology**

- **Qualitative research method:** We also uses comparison and synthesis method, combined with analytical and inductive methods, whereas we take advantage of historical (combined with) dialectical materialism method for our qualitative analysis.

- **Quantitative research methods:** Authors use scientific results as reference.

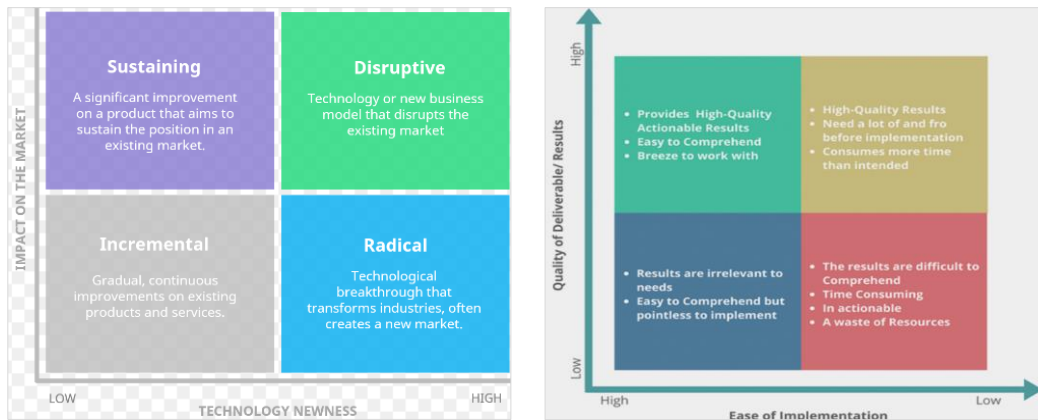
#### **4. Main findings**

##### **4.1. Background**

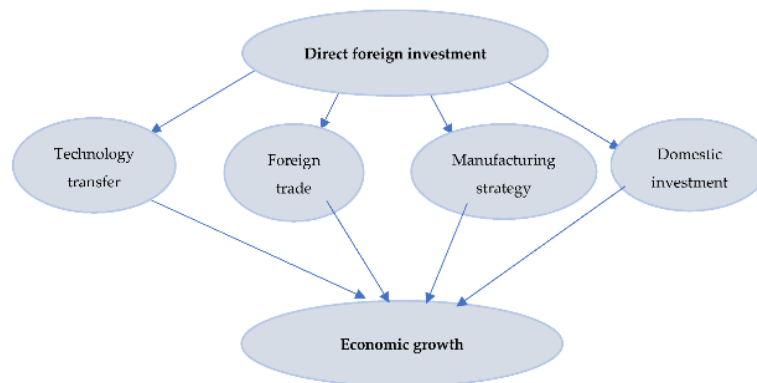
For Vietnam, 2020 was considered relatively successful in terms of fighting the pandemic and economic targets with a growth rate of 2.91%. However, in 2021, with the complicated developments of the Covid-19 pandemic caused by the Delta variant, our country's growth targets had to be adjusted and were lower than the set plan. As an economy with a high degree of openness (over 200% of GDP), the world economic developments due to the impact of the Covid-19 pandemic have been deeply affecting Vietnam's economy. In the economic field, the Covid-19 pandemic has had a negative and direct impact due to social distancing, isolation, and blockade measures at home and abroad, disrupting trade, investment, and production activities. The impact also comes from the fiscal and monetary solutions of countries to cope with and recover the economy. More importantly, Covid-19 has changed the perceptions and behaviors of the Government, businesses and people about globalization, economic independence, consumption, investment, national governance, etc. Thereby changing economic and geo-economic trends in the long term and these trends are forecast to have multi-faceted, complex and profound impacts on Vietnam's economy not only in the short term but also in the medium and long term.

## 4.2. Innovation model

First we look at:

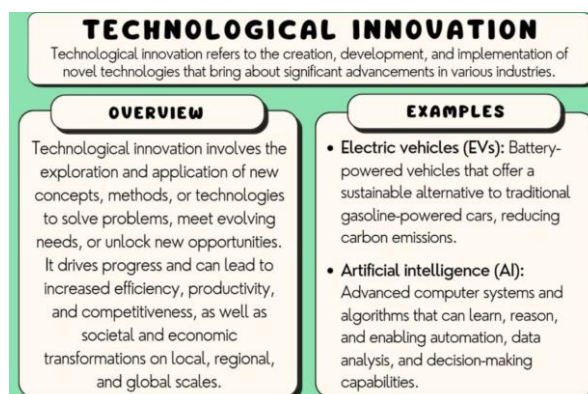


**Figure 1.** Innovation types (Source: viima.com)



**Figure 2.** Direct foreign investment (Source: Mohamed et al., 2021)

Economic globalization and the opening of export markets have increased the need to raise the competitiveness of countries to increase their share of exports, and therefore foreign direct investment here plays an important role in narrowing the technological gap between developing and developed countries through technology transfer. It also helps it reach overseas markets as a base for exporting and distributing products abroad. Because of the multiple benefits, developing countries have put in place a number of policies to facilitate the flow of foreign direct investment, such as encouraging investment, facilitating foreign trade procedures, and developing export areas (Aifaro et al., 2016).



**Figure 3.** Innovation in tech (Soure: helpfulprofessor.com)

Moreover we analyze:

### 4.3. SWOT Analysis

**Table 1.** SWOT analysis and Values

<b>Values</b>	- Levels of R&D will influence benefits/values of global commerce among countries.
<b>Strengths</b> - The deep level of R&D will affect commercial activities (and of enterprises). - In 2023, The macro economy is basically stable; inflation is lower than the target set by the National Assembly; public debt, government debt, foreign debt, and state budget deficit are controlled; growth is promoted; major balances of the economy are ensured. - GDP growth for the whole year is about 5%, a great effort in the context of a very difficult global situation, helping our country's economy remain among the high-growth countries in the region and the world.	<b>Weaknesses</b> - Using many old technologies. - Somehow new technological change does not bring any success.
<b>Opportunities</b> - Covid 19 bring opportunities for smart solutions for social issues in smart cities. - The agricultural sector is a bright spot and continues to be a solid pillar of the economy in difficult times.	<b>Threats</b> - Covid 19 reduces turnover/revenue of many regions (municipals). - Urban Flooding seriously affects production, daily life and activities of people; damages construction works, destroys technical infrastructure works, disrupts traffic, pollutes the environment.

(Source: Author Analysis)

### 4.4. Quantitative model example

. reg x1 Bond set100

Source	SS	df	MS	Number of obs	=	1,221
Model	167.613156	2	83.806578	F(2, 1218)	=	1194.47
Residual	85.4571492	1,218	.070161863	Prob > F	=	0.0000
				R-squared	=	0.6623
				Adj R-squared	=	0.6618
Total	253.070305	1,220	.207434676	Root MSE	=	.26488

x1	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Bond	.2594054	.0102759	25.24	0.000	.2392451 .2795658

```

set100 | .0022514 .0000468 48.06 0.000 .0021595 .0023433
_cons | -2.608488 .1027667 -25.38 0.000 -2.810107 -2.406868

```

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. reg x2 Bond set100
```

Source	SS	df	MS	Number of obs	=	1,221
Model	161839.919	2	80919.9595	F(2, 1218)	=	363.02
Residual	271499.432	1,218	222.905937	Prob > F	=	0.0000
				R-squared	=	0.3735
				Adj R-squared	=	0.3724
Total	433339.351	1,220	355.196189	Root MSE	=	14.93

x2	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Bond	15.6038	.5791998	26.94	0.000	14.46746 16.74014
set100	.0263008	.0026405	9.96	0.000	.0211203 .0314813
_cons	126.0963	5.792457	21.77	0.000	114.732 137.4606

(Source: Author Analysis with Stata)

### 5. Discussion and conclusion

That thesis of President Ho Chi Minh was both radically revolutionary and extremely scientific, not only correct when starting to build the socialist North, but also correct when the whole country entered the transition period to socialism.

When C. Marx dissected and analyzed capitalism, he pointed out that the capitalist regime was progressive compared to the feudal regime, but also contained internal contradictions that it could not save itself, and at the same time prepared the premises for a new, higher socio-economic form, which was inevitable to emerge. Creatively applying and developing Marxism in the conditions of imperialism, that is, monopoly capitalism, V.I. Lenin pointed out its uneven economic and political development, and that once the revolution was ripe, an economically underdeveloped country could still have a proletarian revolution, putting its country on the path to socialism.

Last but not least, Authors stated opportunities **for values adding including but not limit to:** levels of R&D will influence benefits/values of global commerce among countries; hence, we need suitable model for sustainable development toward green criteria, as well as transforming smart cities and enhancing connection among urban areas in regions.

Furthermore, Restructuring industries, sectors and within industries associated with innovation of growth models towards enhancing the application of science and technology, improving productivity, quality, efficiency, competitiveness, autonomy, adaptability and resilience of the economy.

Continuing to restructure a number of important service sectors and sectors such as trade, logistics, etc. Accelerating the restructuring of the tourism sector to ensure efficiency and sustainable development requirements.

Continue to promote the restructuring of state budget revenue and expenditure, improve the efficiency of management, allocation and use of the state budget.

Continue to restructure public investment, especially foreign loans, to ensure substance and efficiency. Strictly handle violations of the law, corruption, negativity, loss and waste in public investment. Allocate capital to ensure

focus, key points, in accordance with project implementation progress, avoid spreading, fragmentation, division, waste, inefficiency; focus capital on important national projects, programs, key infrastructure development projects with spillover effects, creating momentum for socio-economic development to lead and mobilize non-state investment resources, create development momentum, new growth poles, while ensuring harmonious development among localities, regions and areas (source: vietnamhoinhap.vn).

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##### **Competing Interests Statement**

The authors declare no competing financial, professional, or personal interests.

##### **Consent for publication**

The authors declare that they consented to the publication of this study.

##### **Authors' contributions**

All the authors took part in literature review, analysis and manuscript writing equally.

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